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**MMARS Policy: Accounts Payable**

**Issue Date: July 1, 2004**

**Date Last Revised: November 1, 2006**

## **Vendor/Customer File and W-9s**

### **Executive Summary**

The Office of the Comptroller (CTR) is the tax clearinghouse of the Commonwealth and is responsible for accurate state and federal tax reporting for all reportable expenditures made by the Commonwealth. All payments processed through the state accounting system (MMARS) are matched to a vendor record in the Vendor/Customer (VCUST) Table in MMARS. In order to be registered in the Vendor/Customer file, a vendor must submit certification of a Federal Tax Identification Number (TIN).

In addition, the MMARS Vendor/Customer File contains information on customers. These customers enter into a business or service relationship with the Commonwealth of Massachusetts to purchase goods or services from the Commonwealth in accordance with provisions of law or statute. To process a receivable and bill a customer using MMARS, the following information is required: a customer billing address; a customer account number; a billing profile; and certification and approval by CTR.

### **Considerations**

The Office of the Comptroller relies upon departments to submit accurate vendor information when registering a vendor for the first time and when making any updates to the vendor information. Departments must implement sufficient internal controls to verify that all vendor information submitted to CTR is accurate and complete. The Commonwealth is subject to error notices and potential penalties if the information submitted to the IRS is inaccurate.

In addition, MMARS is the official record of the Commonwealth for receivable and customer information. Departments must take special care to ensure that the information that is entered into MMARS for any

receivable is accurate and complete, including routinely obtaining a Taxpayer Identification Number (TIN) for each customer that will be entered on the Vendor/Customer File, or has any receivable activity (including current customers).

## **Policy**

### **Filing of FORM MA-W9 or W-8 for Vendor Registration**

In order to receive payments from the Commonwealth a vendor must be registered in the Vendor/Customer (VCUST) Table of the state accounting system (MMARS). Departments are required to obtain a completed Form MA-W9 "Request for Taxpayer Identification Number and Certification" or a W-8 (foreign vendors) in order to register a vendor and whenever there is a change to the vendor's legal name, legal address or federal Tax Identification Number (TIN). A TIN will either be:

- a Social Security Number (SSN) issued by the Social Security Administration (SSA) for individuals or
- an Employer Identification Number (EIN) issued by the IRS for non-individuals, such as trusts, estates, partnerships and corporations.

A department begins the registration or update process by entering a Vendor/Customer Entry (VCC) or a Vendor Customer Modification (VCM).

### **Restriction of Warrant Payments between Commonwealth Departments**

Unless otherwise authorized by law, or approved by the Comptroller, a department may not issue a check or electronic funds transfers (EFT) through MMARS payment requests (PRC, GAX, INP, PRM, RFI) either to itself or to another state department. Payments within a department or between state departments must be processed as internal government transactions or another method approved by the Comptroller.

### **Restriction of Warrant Payments to State Employees**

Services by employees (including employee reimbursements) must be paid through the state payroll system (HR/CS). Any services rendered at another department (e.g., adjunct faculty at an institution of higher education) must be approved by the State Ethics Commission prior to the start of work. The department hiring the state employee into the part-time position must conduct the IRS-SS-8 test to determine if the business relationship supports a "contract employee" or an "independent contractor". If the SS-8 test results in a "contract employee" position, the contract employee must be paid through HR/CMS. If the SS-8 test results in an "independent contractor" the contractor must be paid through MMARS. The legal address listed for independent contractors on the MMARS Vendor/Customer file are subject to public disclosure.

The IRS Form SS-8 may be obtained from the Internal Revenue Service's (IRS) website under Forms and Publications: [www.irs.gov](http://www.irs.gov) (select 0697 Form SS-8 Determination of Employee Work Status for the Purpose of Federal Employment Taxes and Income Withholding.)

See Policies "Payroll - Employee – Employer Relationship: Types of Employment" for additional requirements and guidance.

### **Filing of a Commonwealth Terms and Conditions or Commonwealth Terms and Conditions for Human and Social Services**

The [Commonwealth Terms and Conditions](#) (T&C) and the [Commonwealth Terms and Conditions for Human and Social Services](#) (T&C HSS) are contract boilerplates which are required for certain state contracts. A T&C or T&C HSS is not required to register a vendor but performance may not begin and payments can not be issued to a vendor for certain contract performance until the T&C or T&C HSS has been executed, filed with CTR and recorded in the VCUST Table. Evidence that the T&C or T&C HSS is on file with CTR will appear in the "Business Type" panel of the VCUST file as "TC" and "TCHS". Departments will be able to easily view whether or not a vendor is registered with a TC or TCHS.

The Legal Name, Legal Address and TIN on any T&C or T&C HSS must match either a newly submitted MA-W9 or the information on record in the 1099 Reporting Information Table in MMARS. A new T&C or T&C HSS will not be required unless the information on the MA-W9 changes (Legal Name, Legal Address or TIN). **The T&C or T&C HSS is executed and filed only ONCE by a vendor**, will remain on file permanently with CTR unless or until the vendor is designated as archived. The T&S and T&C HHS will be automatically incorporated by reference into any Standard Contract Form executed by the vendor with any state department of the Commonwealth. Departments are responsible for verifying whether or not a T&C or T&C HSS is recorded as on file in the VCUST table and should not request or require an additional T&C or T&C HSS when one is already recorded. If a vendor inadvertently submits a new T&C or T&C HSS, the department should forward these documents to CTR for filing.

### **Additional Remittance Addresses**

Departments may process an additional remittance address for a vendor customer record, when a signed request is received from the requesting vendor on business stationary or the vendor submits a Form MA-W9 requesting an additional remittance address. The request must give the reason for an additional remittance address, for example, a different office has been designated for certain payments.

A Form MA-W-9 or a T&C or T&C HSS is not required to establish another remittance address unless the vendor is also changing its legal address, legal name or TIN. To ensure that payments are not misdirected

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to an improper address, a department is required to verify that the submission is valid by validating that the request was submitted by an authorized signatory of the vendor. See [Verification of Vendor Information and Vendor Authorization](#) below.

### **Remittance Addresses and Assignment of Payments**

An additional remittance address is sometimes requested when a vendor wishes to assign payments to a third party. Even though a department always has the right to prohibit the assignment of performance a department **can not** prohibit the assignment of payments to a third party payee. See [M.G.L. c. 106 § 9-405](#).

The department has an obligation to verify that the request for the assignment of payments is legitimate and requested directly by the vendor and not the third party. Absent a court order (verified by the Office of the Attorney General) a department has no obligation to honor any demands for assignments made by a third party, even if the third party produces an assignment agreement signed by the vendor. The department must still obtain confirmation from the vendor that the assignment is allowable.

In order to assign payments, the department **must establish a new remittance address, NOT a new legal address for the vendor**. Any payments must be made using the vendor's TIN and vendor code, since the contract authorizes payment for the vendor's performance and tax reporting must be made based upon the vendor's TIN. The only difference occurs at the time of payment, when a department choose the remittance address for the third party. Payment is recorded as issued to the vendor, but the check or EFT will be sent to a different location which is not the vendor's.

In some cases, vendors will request that all payments be issued to a third party, from any Commonwealth department. The request can also be accommodated by creating a new remittance address and having the vendor instruct all active departments to issue payments using the new remittance address. ***Again, the vendor's main remittance address MAY NOT be changed to the third party address since the contract authorization for payments and resulting tax reporting responsibilities remain with the vendor.*** Any MA-W9 which is submitted to change the legal address to a third party's address will be required to have legal signoff from CTR prior to processing.

Some vendors will request that a new vendor code be set up for the third party so that all payments are automatically issued to the third party. This option is also inappropriate. ***Departments MAY NOT establish a separate vendor code for a third party payee in order to issue payments directly to the third party, instead of to the vendor.*** The third party is not a signatory on the vendor contracts and has no authorization to receive payments directly from a department. All payments under a contract

must be issued in the vendor's name and the tax reporting must be made to the vendor, even if payments are assigned to a third party.

### **Additional Remittance Addresses for Municipalities Prohibited**

Unless otherwise provided by law (and except for the payment for fees as provided by statute) departments may not establish additional remittance addresses for cities, towns or municipalities. Each city and town is assigned a single remittance address for all payments. All payments must be made to the Treasurer of the local governmental entity.

### **Deletion or Inactivation of Vendors and Vendor/Customer File Purge**

Vendor requests for deletion and/or Department requests for inactivation of a vendor will be managed by the CTR Payee, Payments and Tax Reporting Bureau. The vendor or department must provide the reason (e.g., merger, buy-out, etc.) for the action requested. Validated vendor requests for deletion will be communicated to affected departments and handled expeditiously, provided the deletion would not disrupt current or close out business.

In considering requests for inactivation, CTR will review any outstanding contractual obligations recorded in MMARS and other system dependencies that may apply to the vendor to ensure there is no interruption of business for other departments, unless warranted by a court order, oversight agency directive or as directed by the Comptroller.

Inactive vendors and other vendors that have been deleted will be periodically purged from the Vendor/Customer file in MMARS (W9s and T&C or T&C HSS will also be archived for these vendors). In the event a purged vendor seeks to do business with the state the vendor will be required to submit a new MA-W9 as well as a new T&C or T&C HSS (if applicable). CTR will determine and communicate the purge cycle and purge criteria for vendors that are listed as active but have not had any activity in the system for an extended period of time.

### **W-9 for the Commonwealth as Vendor**

Departments may be asked to provide proof that the Commonwealth is a tax exempt entity, or proof of the Commonwealth's TIN. Since CTR is the Commonwealth's tax clearinghouse, CTR's Payee, Payments and Tax Reporting Bureau is responsible for the issuance of completed and signed W-9 forms on behalf of the Commonwealth which reference the Commonwealth's TIN (Employer Identification Number (EIN)). The Comptroller issues the completed and signed W-9 form. There is only one Commonwealth TIN which covers all state departments performing Commonwealth business.

### **Verification of Vendor Information and Vendor Authorization**

CTR relies upon departments to submit accurate information when completing a vendor/customer registration (VCC), modification (VCM) or other Vendor/Customer update. In addition to verifying the information submitted in the MA-W9 or T&C or T&C HSS, departments are responsible for verifying that the registration or modification request is being made by an authorized signatory of the vendor. Even though the MA-W9 (or W-8) is signed under the pains and penalties of perjury, verification is necessary to ensure that the individual submitting the request is authorized to legally bind the vendor and to prevent funds from being misdirected to a third party instead of the vendor.

When contracting with a vendor, departments are required to obtain a **Contractor Authorized Signatory Listing**, naming all of the individuals who are authorized to sign off on obligations on behalf of the contractor. A department can use this listing to verify that the MA-W9 (W-8) for vendor registration, a W9 modification request, or the signature on the T&C or T&C HSS is legitimate and approved by an authorized signatory of the vendor. If the department is not contracting with the payee but is using an Incidental Purchase or making another type of payment, the department must take appropriate steps to verify that the registration request (VCC) or update (VCM) is legitimate and submitted by someone authorized to make such a request.

#### **Filing of FORM MA-W9 or W-8 for Customer Registration**

The MMARS Vendor/Customer File contains information on customers. These customers enter into a business or service relationship with the Commonwealth of Massachusetts to purchase goods or services from the Commonwealth in accordance with provisions of law or statute.

Every effort should be made to obtain either the Social Security or Taxpayer Identification Number (TIN) for all customers who enter into an accounts receivable relationship with the Commonwealth of Massachusetts. This information can be easily obtained by requesting that a customer complete a [Form MA-W9](#) (Request for Taxpayer Identification Number and Certification) or a [Form W-8](#) (foreign vendors).

A TIN will either be:

- a Social Security Number (SSN) issued by the Social Security Administration (SSA) for individuals or
- an Employer Identification Number (EIN) issued by the IRS for non-individuals, such as trusts, estates, partnerships and corporations.

Customers are classified as either a type "I" for an individual, or a type "O" for Sole Proprietorship, Partnership, Incorporated, Nonresident Alien, Trust, Foreign, State Government, other Government, or Other.

The importance of obtaining a customer's TIN or SSN when establishing a customer is heightened by intercept functionality. The intercept process works by matching a vendor's payment TIN or SSN with a Accounts Payable – Vendor/Customer File and W-9s

delinquent accounts receivable customer's TIN or SSN, to offset that receivable. The intercept functionality cannot offset receivables that do not have a TIN/SSN on the customer record.

To process a receivable and bill a customer using MMARS, the following information is required:

- 1) a customer billing address;
- 2) a customer account number;
- 3) a billing profile; and
- 4) certification and approval by CTR.

Other types of customers include a miscellaneous customer (formerly summary customer) and a third-party customer (formerly multi-party).

A miscellaneous customer represents a category of receivable for which individual billings have occurred through a separate and approved delegated accounting system of a department/entity. The miscellaneous customer option allows departments to record aggregate billing information as one consolidated billing event in MMARS. A miscellaneous customer record requires the following information:

- 1) a customer name;
- 2) a flag as a miscellaneous customer; and
- 3) certification and approval by CTR.

A third party customer code represents a single liability for which one or many parties are responsible (joint and several liability). (For more information, refer to the [Third Party Billing Policy](#).)

New customers are processed using a Vendor Customer Create document (VCC). Modifications, changes, and additions to existing customers are made using a Vendor Customer Modification document (VCM). All of these transactions are processed through workflow to CTR for approval.

See Policy "Contracts – Contractor Authorized Signatory Listing"

### **Electronic signature and Department Head Authorization of MMARS documents**

With the implementation of the MMARS accounting system the Office of the Comptroller is aligning Electronic Security with Department Head Signature Authorization (DHSA) in fiscal year 2005 in order to take advantage of electronic signatures for MMARS processing. Every MMARS action must be confirmed/authorized by the department head or an authorized signatory. Department head authorization can be accomplished in one of two ways:

- **Administrator Security With DHSA.** If the employee (Administrator - system processor) who submits a Vendor/Customer registration (VCC) or modification (VCM) to final status is a department head authorized signatory, the data in the MMARS system will be sufficient documentation. What appears in MMARS will be the record copy of the document.
- ***Recording Doc Id on all supporting documentation.*** Since there is no paper copy required for the MMARS document the department will be required to include the MMARS Document Identification number (Doc ID) on all supporting documentation to “match” the supporting documentation with the electronic record of the MMARS document which will reside on MMARS. Recording the doc id on all supporting documentation can be accomplished by entry of the MMARS doc id on the first page of the supporting documentation, or by entering the doc id on a **MMARS Document Authorization/Records Management Form** which will act as the cover sheet to the supporting documentation for records management purposes.
- **Administrator Security Without DHSA.** If the employee (Administrator - system processor) who will be submitting a VCC or VCM document to final status is not a department head authorized signatory, the Administrator must obtain a live (“wet”) signature from an authorized signatory approving the document ***PRIOR*** to submitting the document to final status in MMARS.
  - ***Review of document and supporting documentation.*** Since a department head is required to authorize the official record of a MMARS document, which is what **actually appears in the MMARS system**, departments must ensure that whoever authorizes the VCC or VCM document has reviewed the document and related supporting documentation prior to authorization.
  - ***Written authorization.*** The written authorization may appear on a screen-print of the VCC or VCM document as entered and validated, but prior to final submission, or on a **MMARS Document Authorization/Records Management Form** prescribed by CTR, to capture the prior authorization for documents.
  - ***Filing of authorization with supporting documentation.*** Authorization documentation must be kept on file at the Department along with the record copy of other supporting documentation related to the MMARS document. See **Records Management** below.

### **What does electronic signature of a VCC or VCM document mean?**

When a Department electronically submits a VCC or VCM document to final status in MMARS, the department head is certifying to the Comptroller that the individual, on behalf of the department head, understands that their UAID (universal access identification) is being recorded for any entries made in the MMARS system **and that** that individual certifies under the pains and penalties of perjury that:

- it is their intent to attach an electronic signature approval and date to the MMARS document, **and that**



- they are either an authorized signatory of the department head who is authorized to approve the MMARS document as part of the Department Internal Control Plan, **OR**
- that the document they are processing and any supporting documentation have been approved by an authorized signatory of the Department head, secretariat and any other required prior approval (including secretariat signoff if required) and a copy of these approvals are available at the Department referencing the MMARS document number, **and that**
- the MMARS document and any underlying supporting documentation are accurate and complete and comply with all applicable general and special laws, regulations and policies including public record intention and disposal requirements.

Please see policy chapters on “**Department Head Signature Authorization**” and “**Electronic Signatures for MMARS documents**” for additional information.

### **Internal Controls**

Departments must implement sufficient internal controls to verify that all vendor information submitted to CTR is verified, authorized, accurate and complete.

### **Information Sources**

- Related Procedure – Forthcoming
- Related Policies:
  - Accounts Payable – Commonwealth Bill Paying Policy
  - Accounts Receivable – Debt Collection
  - Accounts Receivable – Intercept
  - Accounts Receivable – Payment Plans
  - Accounts Receivable – Cash Recognition
  - Accounts Receivable – Receivable Recognition and Reconciliation
  - Accounts Receivable – Lockbox Policy
  - Accounts Receivable – Electronic Payments
  - Accounts Receivable – Invoice Statements
  - Accounts Receivable – Delinquent Debt Cycle
  - Accounts Receivable – Third Party and Multiple Third Party Billing
  - Accounts Receivable – Non-Accounts Receivable Renewals
  - Accounts Receivable - Internal Controls – Revenue.
  - Contracts - State Finance Law and General Contract Requirements
  - Contracts - Contractor Authorized Signatory Listing
  - Contracts – Internal Controls for Purchasing, Procurement and Contracting
  - Contract - Delegation of MMARS Document Processing
  - Internal Controls – Internal Control Guide, Internal Control Guide for Managers
  - Payroll – Employee – Employer Relationship – Types of Employment
  - Security - Department Head Signature Authorization and Electronic Signature for MMARS Documents

- Legal Authority - [M.G.L. c. 7A](#); [M.G.L. c. 29](#); [M.G.L. c. 30, §. 27](#); [M.G.L. c. 10, § 17B](#); [M.G.L. c. 29, § 29D](#); [IRS Publication 1281](#) Massachusetts Constitution [Article LXIII Section 1](#); [815 CMR 9.00: Collection of Debts](#); ; St. 1999, c. Chapter 315 § 1; St. 1999 c. 184 § 196; § 18
- Attachments/Forms –
  - [Quick Reference – Goods and Services, Grants, Subsidies, ISAs and Chargebacks”](#)
  - [Commonwealth Terms and Conditions Form](#)
  - [Commonwealth Standard Contract Form](#)
  - [Electronic Funds Transfer \(EFT\) form](#)
  - [Contractor Authorized Signatory Listing Form](#)
  - [Form MA-W9](#) (if not listed as vendor in the MMARS Vendor/Customer file)
  - [Form W-8](#) (foreign vendors)
  - [MMARS Document Authorization/Records Management Form](#)
- Links – [www.irs.gov](http://www.irs.gov)
- Contacts - [CTR Help Desk](#)

**November 1, 2006.** Removed language referencing the Knowledge Center and updated links relevant to Mass.gov/osc portal site.